

AGREEMENT FOR INTERIM MANAGEMENT SERVICES

THIS AGREEMENT FOR INTERIM MANAGEMENT SERVICES (“Agreement”) is made this ___ day of _____, 2012 by and between The Pittsburgh Water and Sewer Authority, a body corporate and politic organized and existing under the laws of the Commonwealth of Pennsylvania having its principal place of business at Penn-Liberty Plaza I, 1200 Penn Avenue, Pittsburgh, Pennsylvania 15222 (the “Authority”), and

Veolia Water North America—Northeast, LLC, a limited liability corporation organized and existing under the laws of Delaware, having a place of business at 101 W. Washington Street, Suite 1400 East, Indianapolis, Indiana 46204 (“Veolia”).

RECITALS:

A. The Authority requires interim management and consulting services including executive management services, general administration and management consulting services, and financial and infrastructure management consulting services.

B. Veolia is possessed of professional experience and expert skill and is qualified to perform the required services; and

C. The Authority desires to engage Veolia upon the terms and conditions hereinafter set forth, and Veolia is willing to accept the engagement upon such terms and conditions.

NOW, THEREFORE, in consideration of the mutual premises set forth below and intending to be legally bound hereby, the parties agree as follows:

ARTICLE 1 – SCOPE OF SERVICES

1.1 Scope of Services. The Authority hereby engages Veolia as an independent contractor to perform the services set forth in its Technical Proposal dated May 4, 2012 (the “Technical Proposal”), which is incorporated herein by reference, including those services outlined and described as the Veolia Water Recommended Approach (the “Services”). Veolia hereby agrees to perform the Services upon the terms and conditions hereinafter set forth. Veolia shall furnish all necessary management, supervision, and personnel as may be necessary to provide the Services. The Services shall include collaboration with and assistance to Authority personnel, and shall include:

1.1.1 the services of a full time, on site, interim executive director, described as an Interim Executive Manager in the Technical Proposal (“Interim Executive Director”) during the Term and any Additional Term (defined below). The responsibilities and authority of the Interim Executive Director are more particularly described on Exhibit A attached hereto and incorporated herein; and

1.1.2 the consulting services described on Exhibit B attached hereto and incorporated herein, including the services of a full time, on site Study Manager as defined and described in the Technical Proposal during the Term and any Additional Term.

1.1.3 In the event of any disparity between the Technical Proposal and the Exhibits, the provisions of the Exhibits shall control.

1.2 Personnel.

1.2.1 Veolia agrees that Jim Good and Doug Amos have particular qualifications, respectively, to perform the Services of Interim Executive Director and Study Manager (“Key Personnel”), and that such Key Personnel shall not be removed or reassigned without the prior written approval of the Authority.

1.2.2 At the request of the Authority, acting reasonably, personnel supplied by Veolia deemed by the Authority to be unqualified or otherwise objectionable due to performance or other reasons shall be excluded from performing the Services. Provided however, that prior to any such request for exclusion, the Authority shall seek to address any issues that it has with Veolia personnel pursuant to the procedures set forth in Sections 20.1 through 20.3.

1.2.3 The Interim Executive Director may assign Authority personnel as necessary and appropriate to assist in the evaluation and implementation Services described in the Technical Proposal and in Exhibit B. The Authority will support the involvement of its division directors and other staff in workshops, for the supply of data, to integrate with Veolia personnel in identifying and implementing initiatives, and to otherwise support the Services provided by Veolia.

1.3 Steering Committee. The Services shall be performed under the general supervision of a Steering Committee, which shall meet or otherwise confer weekly at the commencement of the Term and thereafter, upon such frequency as the majority of those serving on the Steering Committee may determine. The Authority designates Dan Deasy, Scott Kunka, and Patrick Dowd as its representatives to the Steering Committee. Veolia designates Keavin Nelson and Rob Nicholas as its representatives to the Steering Committee. Should any member of the Steering Committee be unable to serve on the Committee for any reason, the party designating that person shall designate his replacement. Meetings of the Steering Committee may be in-person or through electronic means such as telephone or internet conferencing.

1.4 Reporting. The Interim Executive Director shall maintain detailed records on actions taken and planned on behalf of the Authority and shall submit reports to the Steering Committee on a weekly basis, or on such other frequency as the Steering Committee shall reasonably determine. The Interim Executive Director shall report to the Steering Committee on progress toward the Authority’s objectives as reflected in Exhibit B or established by the Steering Committee and the Authority’s Board. The Interim Executive Director, the Study Manager, other of Veolia’s representatives, and Authority staff as directed or requested, shall attend such meetings of the Steering Committee or the Authority’s Board as the Authority may reasonably request.

1.5 Conflict of Interest. Veolia represents that it presently has no conflicting interest, agreements, or obligations and reasonably expects none to occur. During the Term of this Agreement, Consultant agrees not to engage in any activities that may reasonably be expected to conflict with the Services to be provided hereunder without the Authority’s prior written consent.

1.6 Limitations on Scope of Services. Notwithstanding Veolia’s agreement to provide the services of an Interim Executive Director and other personnel as part of the Services, the Authority will at all times be ultimately responsible for the operation and maintenance of its facilities, including each of the following:

1.6.1 Ultimate responsibility for compliance with all applicable permits, authorizations, consent decrees, regulations, and all other applicable laws at the facilities,

including without limitation environmental, employment, health and safety, and other legal requirements;

1.6.2 Operations, maintenance, and capital improvements related to the facilities;

1.6.3 Purchase of equipment, supplies, chemicals, utilities, and any other costs associated with the operation, maintenance, or capital improvements of its facilities;

1.6.4 Ultimate responsibility for all PWSA employees and subcontractors and direct management of union employees; and

1.6.5 Employment of all operations and maintenance staff and other employees at the Authority's facilities other than the Veolia employees, agents and subcontractors.

ARTICLE 2 -- TERM

This Agreement is effective as of the date first above written and, unless earlier terminated in accordance with the provisions hereof, shall have a primary term of one (1) year (the "Term") and may be extended, at the option and with the written consent of the Authority and Veolia, for no more than an additional six (6) months thereafter (the "Additional Term").

ARTICLE 3 -- COMPENSATION

3.1 Base Compensation. For the performance of the Services, the Authority will pay Veolia a Base Compensation of one hundred fifty thousand, five hundred seventy-two (\$150,572.00) dollars per month, which shall include costs and expenses.

3.2 Performance Compensation. In addition to the Base Compensation, Veolia may earn performance compensation, as follows:

3.2.1 Key Performance Indicators (KPIs)

3.2.1.1 Veolia and the Authority will work together to develop KPIs and to implement a minimum of 3 KPIs (with a target above that amount, up to 10 simultaneous initiatives) acceptable to the Board. The KPIs will be developed through a series of workshops and initial KPIs will be targeted for approval no later than September 1, 2012. Future KPIs may be added at the Board's request, on an ongoing basis. Each KPI (or sub KPI) will be valued at \$150,000.

3.2.1.2 Each KPI will have a well-defined and measurable objective against which achievement may be measured. KPIs may be multi-focused, sliding scale, and/or subdivided into more than one initiative. For example:

- Customer Service Improvement: 1) reduction in number of customer complaints, 2) improvement in billing accuracy, and 3) reduction in number of rings before calls are answered
- The Customer Service Improvement KPI example provided above is subdivided in three KPIs, with payment along a scale of success achieved (as opposed to binary "all or nothing" measurement)

3.2.1.3 Veolia will be compensated for achieving all or part of the defined outcome for each KPI, in accordance with the specific guidelines denoted in the KPI as presented to and approved by the Board.

3.2.2 Improvement Initiatives

3.2.2.1 Veolia and the Authority will work jointly to evaluate opportunities for efficiencies and/or revenue enhancements, and where potential improvements are identified they will submit business case reports to the Steering Committee for approval on an ongoing basis (the "Recommended Initiatives"). Each business case will outline how savings are measured for that particular Recommended Initiative (e.g. metering of utility usage, measurement of reduced chemical consumption, etc.).

3.2.2.2 Those Recommended Initiatives that are approved by the Steering Committee will be presented to the Board for formal approval. Once presented, the Board will consider each Recommended Initiative and will either approve, reject, or modify such Recommended Initiative within 30 days. For each Recommended Initiative that is approved, Veolia will work with the Authority to implement it.

3.2.2.3 Veolia and the Authority will share equally in the savings achieved from Recommended Initiatives, however and whenever implemented, during the Term of the contract and for a period of four years following the Term. Shared savings will be determined and paid in accordance with the procedures set forth in Appendix B. After the four year period following the Term, all savings will inure solely to the benefit of the Authority. During the time period in which Veolia is sharing in savings, in consideration for the compensation received Veolia will at its own expense conduct an annual review of all implemented Recommended Initiatives to confirm the savings and operational status of each. Veolia will submit a report to the Board summarizing the status of each effort along with any recommendations that may be considered in order to ensure or enhance the sustainability of each.

3.2.2.4 Though Veolia and the Authority may continue to identify Recommended Initiatives throughout the Term, in January 2013 Veolia will present a consolidated report of Recommended Initiatives that have been presented, are at that time before the Board, or are in the process of being developed and expected to come before the Board.

3.2.2.5 In the event that (i) the Board rejects or does not approve the implementation of 25% or more of the Recommended Initiatives, as that number is determined by reference to both the total number or total expected value of such Recommended Initiatives, or (ii) this Agreement is terminated prior to the end of the Term for reasons other than Veolia's material breach, then the Authority will pay Veolia a one-time payment of \$377,000 at the earlier of the end of the Term or the last day of Veolia's provision of services hereunder. For purposes of clarity, savings resulting from approved initiatives will continue to be determined and shared in accordance with this Section 3.2.2.

3.2.2.6 Both Veolia and the Authority agree that staff layoffs solely or primarily for economic purposes will not be recommended by Veolia. However, broader reorganization or restructuring concepts that may affect headcount may be presented for Board consideration.

3.3 Audit. Upon request, the Authority shall provide such access to its facilities and books and records, and those of its subcontractors or subconsultants, as Veolia may require for inspection and/or audit purposes to substantiate savings from KPI's and other shared savings from improvements implemented pursuant to this Agreement for a period of 4 years following the termination of this Agreement.

3.4 Additional Services. Should the Authority desire additional services, over and above those Services detailed in the Technical Proposal, those additional services shall be engaged and charged on a mutually agreeable and negotiated basis. No additional services shall be undertaken by Veolia without a written agreement or amendment duly executed by the Authority.

3.5 No Withholding. All sums of money paid to Veolia pursuant to this Agreement shall be paid without deduction or withholding of federal or state payroll or employment taxes of any kind or nature including but not limited to, income taxes, social security taxes, unemployment insurance taxes, disability insurance taxes and similar items, and shall be evidenced by one or more Forms 1099 issued by the Authority to Veolia in accordance with applicable law.

3.6 Invoicing and Payment.

3.6.1 Base Compensation and Related Charges

Veolia will prepare and submit an invoice for the Base Compensation and for any other agreed charges payable by the Authority on a monthly basis throughout the Term. Invoices shall be approved by the Steering Committee and paid by the Authority on a net-30 basis.

3.6.2 Performance Compensation

3.6.2.1 Because the temporal scope and the means of determining success may vary with each KPI, compensation based on KPIs shall be calculated and paid on such a timetable and in such a manner as indicated in each approved KPI.

3.6.2.2 Compensation based on shared savings shall be calculated and paid monthly based on actual net savings as data is available, and shall be subject to reconciliation on an annual basis during the shared savings time period.

3.6.2.3 For the purposes of this Agreement, “net savings” shall be determined as follows:

- In any instance where the implementation of a Recommended Initiative requires the creation of a capital asset, the net savings shall be calculated as follows: gross savings minus debt service costs. Debt service costs shall be calculated for the total project cost, including costs related to direct engineering, procurement and installation of the improvement (the “Project Cost”), of each capital asset based on a level debt service assumption for a term equivalent to the period of probable usefulness of the asset financed.

- In any instance where the implementation of a Recommended Initiative requires the purchase of equipment that must be expensed as such expense is incurred, net savings shall mean the gross savings minus the equipment expense.

- In any instance where the implementation of a Recommended Initiative requires additional life-cycle or additional ongoing O&M costs, net savings shall mean the gross savings minus the annual average of any projected associated additional life-cycle or additional ongoing O&M costs.

ARTICLE 4 - RELATIONSHIP OF PARTIES

4.1 Independent Contractor. It is understood by the parties that Veolia is an independent contractor and is retained by the Authority only for the purposes and to the extent set forth in this Agreement. Veolia is to be considered the agent of the Authority only as contemplated by the scope of Services set forth in Exhibit A. Veolia is not authorized to bind the Authority in any manner or to incur any obligation, expenditure or liability on behalf of or against the Authority, or to make any representation or warranty on behalf of the Authority, without the prior authorization of the Steering Committee and, where appropriate, the Authority's Board of Directors.

4.2 No Benefits. Veolia, its employees and agents, are not employees of the Authority. The Authority will not provide employee benefits or entitlements of any kind or nature, including health insurance benefits, paid vacation, or any other benefits for Veolia or its employees or agents. Neither Veolia nor its employees or agents are eligible for unemployment or workers' compensation benefits from the Authority.

ARTICLE 5 – REPRESENTATIONS

5.1 Service Standards. Veolia shall perform the Services with due diligence in a good and workmanlike manner in accordance with the standards, practices, and procedures that would be reasonably expected from an experienced service provider in the industry or profession for the areas anticipated by this Agreement. Veolia shall be responsible for the technical accuracy of its services and documents resulting therefrom, including those of any of its subcontractors or subconsultants, and the Authority shall not be responsible for discovering their deficiencies.

5.2 Engineering Services. If the Services include professional engineering services, all such Services shall conform to sound professional and state-of-the-art engineering, design, and drafting practices and procedures, and shall be free from any and all errors, omissions or defects. Because it is not presently anticipated that Veolia's scope of services will include professional engineering services, Veolia and the Authority will agree in writing with respect to any project that will include such within its scope.

5.3 Payment to Subcontractors. Veolia shall promptly pay all of its subcontractors, subconsultants, and other persons it engages to perform the Services. Should Veolia fail to do so, the Authority may after notice to Veolia and a failure by Veolia to cure, retain out of any payment due Veolia an amount sufficient to discharge the same.

5.4 Inspection, Audit. Upon request, Veolia shall provide such access to its facilities and books and records, and those of its subcontractors or subconsultants, as the Authority may require for inspection and/or audit purposes for a period of two (2) years following the termination of this Agreement. For the purposes of clarity, this section 5.4 shall not apply to the base services provided for in this Agreement but instead shall apply only to services provided at a "cost" or "cost-plus" basis.

ARTICLE 6 -- INSURANCE

6.1 Coverages required--Veolia Prior to beginning any Services under this Agreement, Veolia shall deliver to the Authority certificates of insurance evidencing the following minimum coverages:

6.1.1 Workers compensation insurance at statutory limits and employer's liability insurance with limits of five hundred thousand (\$500,000.00) dollars. Veolia will have attached to its policy an alternate employer endorsement naming the Authority and will provide a waiver of subrogation in favor of the Authority.

6.1.2 Commercial general liability insurance with limits of two million (\$2,000,000.00) dollars each occurrence and five million (\$5,000,000.00) dollars in the aggregate and containing or endorsed to contain the following coverages: contractual liability; broad form property damage; personal/advertising injury; an endorsement including the Authority as an additional insured, waiver of subrogation to the benefit of all additional insureds as respects any claims covered or which should have been covered by valid and collectible insurance including any deductibles or self-insurance maintained thereunder; no explosion, collapse or underground exclusion; and, for any claims related to the Services, provision that Veolia's insurance shall be primary and non-contributory and any insurance or self-insurance maintained by the Authority shall be excess of Veolia's insurance and not contribute with it. Additional insured status shall be provided in favor of the Authority as respects claims or liabilities to the extent caused Veolia's work, operations and completed operations, and only to extent of liabilities assumed by Veolia under the Contract.

6.1.3 Automobile liability insurance with limits of one million (\$1,000,000.00) dollars per accident for bodily injury and property damage covering all owned, hired, and non-owned vehicles. The policy shall be endorsed to include the Authority as an additional insured and to include waiver of subrogation to the benefit of additional insureds as respects any claims covered or which should have been covered by valid and collectible insurance including any deductibles or self-insurance maintained thereunder.

6.1.4 Employee Dishonesty, Third Party Fidelity Bond, and Inside/Outside Money and Securities coverages for Authority-owned property in Veolia's care, custody, or control with limits of one million (\$1,000,000.00) dollars.

6.1.5 If Veolia is performing any professional services for the Authority, professional liability insurance with limits of two million (\$2,000,000.00) dollars per claim or occurrence and five million (\$5,000,000.00) dollars annual aggregate. The policy shall be endorsed to include a waiver of subrogation to the benefit of the Authority as respects any claims covered or which should have been covered by valid and collectible insurance including any deductibles or self-insurance maintained thereunder. If coverage is on a claims-made form, Veolia shall maintain continuous coverage or shall exercise an extended discovery period for at least two (2) years following the expiration or other termination of this Agreement.

6.2 Coverages required—Authority. During the Term and any Additional Term of this Agreement, the Authority shall carry the following coverages:

6.2.1 Workers compensation insurance at statutory limits and employer's liability insurance with limits of five hundred thousand (\$500,000.00) dollars, and will include a waiver of subrogation to the benefit of Veolia.

6.2.2 Not-for-profit directors and officers liability insurance providing coverage to insured persons and the organization, with limits of one million dollars (\$1,000,000.00) per claim and annual aggregate. The policy shall be endorsed to include a waiver of subrogation to the benefit of Veolia as respects any claims covered or which should have been covered by valid and collectible insurance including any deductibles or self-insurance maintained thereunder, and will include the Interim Executive Director and Study Manager as insured persons under the policy. If coverage is on a claims-made form, the Authority shall maintain continuous coverage or shall exercise an extended discovery period for at least two (2) years following the expiration or other termination of this Agreement.-

6.2.3 “All Risk” property insurance covering the Authority’s facilities and physical assets. The policy shall be endorsed to include a waiver of subrogation to the benefit of Veolia as respects any claims covered or which should have been covered by valid and collectible insurance including any deductibles or self-insurance maintained thereunder.

6.3 Policy duration. Except where stated otherwise in Subsections 6.1 and 6.2 above, the policies or coverages required by this Section shall be maintained during the Term and any Additional Term of this Agreement.

6.4 Ratings. All insurance coverages must be placed with insurance carriers having an AM Best rating of A- or equivalent rating.

6.5 Notice to Authority. Veolia shall, within three (3) business days of receipt of notice from any insurer with respect to a policy required by Section 6.1 that coverage will be suspended, voided, cancelled, or certificate holder be deleted as an additional insured, provide written notice to the Authority by certified mail, return-receipt requested. During the Term and any Additional Term of this Agreement, Veolia shall provide the Authority with certificates for all renewal or replacement policies required by Section 6.1. Notwithstanding the fact that it has been in compliance with this Section, nothing herein shall excuse Veolia from carrying the required insurance under this Agreement and a failure to do so shall constitute a breach.

6.6 Deductibles. All deductibles and self-insured retentions under policies required by this Section 6 shall be the responsibility of the named insured.

6.7 Certificates of Insurance. Upon either party’s request at any time, the other party shall provide certificates of insurance evidencing coverage. The failure of either party to pursue or obtain any certificate of insurance or to point out any non-compliance of any certificate of insurance shall not constitute a waiver of any of the insurance requirements of this Agreement or relieve either party of any of its obligations hereunder.

6.8 Self-insurance. Self-funded or other non-risk transfer insurance mechanisms are not acceptable to the Authority. If Veolia has such a program, full disclosure must be made to the Authority prior to any consideration being given.

6.9 Distinct obligation. These insurance provisions are intended to be a separate and distinct obligation on the part of each party. The insurance submitted by a party does not relieve or decrease in any way the liability of that party for performance under this Agreement.

ARTICLE 7 -- INDEMNITY

7.1 Ordinary negligence. Subject to Section 7.2 below, to the fullest extent permitted by law, Veolia shall indemnify, defend, and hold harmless the Authority, its officers, directors, agents and employees, from and against claims, damages, losses and expenses for bodily injury, death, or physical injury to tangible property, or the loss of use thereof, caused or allegedly caused by or arising from the performance of Veolia under this Agreement, but only to the extent caused or allegedly caused in part by the negligent acts or omissions or intentional misconduct of Veolia, its employees, agents or persons for whose acts Veolia may be liable.

7.2 Professional negligence. To the fullest extent permitted by law, Veolia shall indemnify and hold harmless the Authority, its officers, directors, agents and employees, from and against claims, damages, losses and expenses, including reasonable attorneys' fees and other costs of defense, arising out of or resulting from the performance of the professional services of Veolia under this Agreement, but only to the extent caused in whole or in part by the negligent acts or omissions of Veolia, its employees, agents or persons for whose acts Veolia may be liable.

7.3 Violations of law. To the fullest extent permitted by law, Veolia shall indemnify, save and hold harmless, and defend the Authority, its officers, directors, agents and employees from all liens, charges, claims, demands, losses, costs, judgments, liabilities and damages of every kind and nature whatsoever, including, but not limited to, court costs and attorney's fees arising from or based upon any violation by Veolia of any applicable laws, regulations, ordinances or codes.

7.4 Actions exceeding authority. To the fullest extent permitted by law, Veolia shall indemnify and hold harmless the Authority, its officers, directors, agents and employees from all claims, damages, losses, and expenses, including reasonable attorneys' fees and other costs of defense, arising out of or resulting from the acts of the Interim Executive Director that are outside the scope of his authority as set forth on Exhibit A and approved by the Steering Committee.

7.5 Waiver of workers' compensation bar. The defense and indemnification obligations accepted by Veolia under this Article 7 shall not be limited in any way by any limitation on the amount or type of damages, compensation or benefits payable by Veolia, or by Veolia's subcontractors or permitted assigns, pursuant to any applicable workers' compensation statute or disability benefit statute or any other employee benefit law, rule or regulation.

7.6 Mitigation. The Authority agrees to take reasonable efforts to mitigate or reduce any losses that it may suffer or incur and for which it may seek indemnification from Veolia.

ARTICLE 8 – INTELLECTUAL PROPERTY

8.1 Veolia Intellectual Property. Subject to Sections 8.2 through 8.4 below, the Authority agrees that Veolia shall be entitled to all right, title, and interest in and to all ideas, conceptions, discoveries, inventions, improvements, designs, methods, techniques, processes, and software, whether or not subject to patent or copyright protection, that are developed by Veolia alone, with the Authority or jointly with others as part of the Services ("Veolia Intellectual Property"). Veolia hereby grants to the Authority, upon the terms and conditions specified in this Article 8, a license in, to, and for the use of the Veolia Intellectual Property. The license granted hereunder is irrevocable, coupled with an interest, perpetual and, except as hereinafter provided, non-exclusive. Except as specified below, the Authority shall have the right, in its sole discretion, to use all or any portion of the Veolia Intellectual Property on other projects, including projects submitted to other consultants. In the event of any such use of any Veolia Intellectual Property by the Authority, to the extent allowed by laws, the Authority shall defend, indemnify, and hold harmless Veolia, its subconsultants, agents and employees, from any and all claims, damages, losses, and expenses, including reasonable attorneys' fees and other costs of defense, arising out of or in connection with, or caused on account of, such re-use of any such Veolia Intellectual Property, but the foregoing indemnity shall not extend to any liability of Veolia with respect to the initial preparation or creation of the Veolia Intellectual Property.

8.2 Proprietary Works. The license granted by Veolia to the Authority under Section 8.1 above shall be exclusive with respect to those portions of the Veolia Intellectual Property that constitute the Authority's proprietary information ("Proprietary Works"). Proprietary Works refer to those portions of the Veolia Intellectual Property that contain information or data reflecting or relating to: (a) geographic,

operational, or technical information with respect to the water, sewer, or stormwater systems operated by the Authority, publication of which could jeopardize its operation or safety; (b) inventions, discoveries, patents, and applications for patents, copyrightable work, and related trade secrets of the Authority as of the date of this Agreement; (c) project deliverables and other data reviewed or developed during the performance of the Services; (d) information related to the Authority's customers; and (e) and other data or information unique to the Authority that is protected from disclosure under Pennsylvania's Right to Know Act (collectively, the "Proprietary Information"). No part of the Proprietary Works shall be used by Veolia on any other project unless, and only to the extent, such Proprietary Works have subsequently, pursuant to applicable laws and not to the act or neglect of Veolia, become available in the public domain by acts of the Authority. Except for the foregoing, Veolia shall keep confidential, as a trade or business secret, all Proprietary Works.

8.3 Veolia Intellectual Property—Patent or Copyright. Notwithstanding the grant of license hereunder, Veolia shall retain any copyright or similar claim in the Veolia Intellectual Property to the extent actually produced by Veolia and its subconsultants, agents, and employees, or any of them, but shall have no claim to any portion of the Proprietary Works, such claims being reserved exclusively by the Authority. Veolia, its subconsultants, agents and employees, their successors and assigns, shall have no right to compensation, royalties or other fees from the Authority, its successors and assigns, due to any claimed proprietary interest in the Veolia Intellectual Property.

8.4 Authority Intellectual Property. Veolia agrees that the Authority shall be entitled to all right, title, and interest in and to all ideas, conceptions, discoveries, inventions, improvements, designs, methods, techniques, processes, and software, whether or not subject to patent or copyright protection, that are developed by the Authority alone, without the participation of Veolia, during the Term and any Additional Term of the Agreement and thereafter ("Authority Intellectual Property"). The Authority hereby grants to Veolia a license in, to, and for the use of the Authority Intellectual Property during the Term and any Additional Term of this Agreement without compensation, royalties or other fees. Veolia's license to use the Authority Intellectual Property shall expire or terminate upon the expiration or termination of this Agreement. Thereafter, the parties may negotiate reasonable and customary license fees if Veolia wishes to use Authority Intellectual Property.

8.5 Applications and assignment.

8.5.1 The Authority will execute, acknowledge, and deliver at the request of Veolia all papers, including patent and copyright applications and related assignment, that may be required for obtaining a patent, copyright or other protection of the Veolia Intellectual Property and for vesting title in Veolia and, at Veolia's cost, shall do all other acts and things that may be reasonably necessary to achieve that purpose.

8.5.2 Veolia will execute, acknowledge, and deliver at the request of the Authority all papers, including patent and copyright applications and related assignment, that may be required for obtaining a patent, copyright or other protection of the Authority Intellectual Property and for vesting title in the Authority and, at the Authority's cost, shall do all other acts and things that may be reasonably necessary to achieve that purpose.

8.6 Others' intellectual property. In performing the Services, Veolia shall not include or provide to the Authority any matter subject to patent, copyright, or other intellectual property protection unless Veolia obtains the written approval of the Steering Committee and provides the Authority with a license or other written permission of the owner of the intellectual property for Veolia or the Authority to use such protected matter.

8.7 Indemnity. To the fullest extent permitted by law, Veolia shall indemnify, defend, and hold harmless the Authority, its officers, agents, and employees from any infringement or claim of infringement by the Services or any part of the Services of any patent, copyright, trade secret or other third-party intellectual property right. Veolia agrees to pay all royalties and license fees that may be due upon the inclusion of any patented or otherwise infringing materials in the Services. At its sole option, the Authority may be represented by and actively participate through its own counsel in any such infringement suit or proceeding, and the costs of such representation shall be paid by Veolia. Without in any way limiting the Authority's rights and Veolia's obligations, in the event that the Services or any part of the Services is held to constitute infringement or its use is enjoined, Veolia shall, at the Authority's option and Veolia's sole expense, in a timely manner: (a) procure for the Authority a license or other right to continue using the affected Services; (b) replace the affected Services with a substantially equivalent non-infringing property or process; or (c) modify the Services or part of the Services so it becomes non-infringing but is substantially, functionally equivalent.

ARTICLE 9 – CONFIDENTIALITY

9.1 Proprietary Information. Veolia will not, either during or after performance of the Services, except as required in the performance of the Services or with the prior written consent of the Authority, communicate or divulge to, or use for the benefit of Veolia or any other person, firm, association, or corporation, any Proprietary Information of the Authority. Veolia acknowledges and agrees that the Proprietary Information may include information that Veolia develops as well as information that Veolia learns from the Authority.

9.2 Veolia Confidential Information. The Authority will not, either during or after performance of the Services, except with the written consent of Veolia, communicate or divulge to, or use for the benefit of any other person, firm, association, or corporation, any confidential or proprietary information of Veolia, including technical information in respect to the products and services of Veolia, its business methods, product design information, market research and studies, future plans, business affairs, pricing, margins, discounts and costs, or related trade secrets (the "Veolia Confidential Information"). The Authority acknowledges and agrees that the Veolia Confidential Information may include information that the Authority develops as well as information that the Authority learns from Veolia.

9.3 Advertising and publicity. Veolia may not use the Authority's name in advertisements, news releases, publicity statements, web sites, interviews, articles, brochures, client listings or other advertising or marketing materials without the prior written consent of the Authority, which consent shall not be unreasonably withheld. Provided, however, that this Section 9.3 shall not prevent Veolia from making reference to this engagement where such reference is limited to previously-disclosed public facts.

ARTICLE 10 – LIMITATION OF LIABILITY

10.1 Limitation of liability. Beyond the cost of furnishing replacement Services, and notwithstanding any other provision in this Agreement, Veolia's aggregate liability to the Authority for any and all claims and losses whatsoever resulting from or in any way attributable to errors, omissions, or other acts of Veolia, its subcontractors, agents, and employees, other than as covered by collectible insurance, shall not exceed the amount received by Veolia under this Agreement.

10.2 Waiver of consequential damages. Except as covered by collectible insurance, in no circumstance shall either party or any of its officers, directors, agents, employees, subcontractors, consultants or subconsultants be liable to the other or the other's successors or assigns, for remote,

incidental, indirect, or consequential damages or special loss or damage of any kind, whether or not foreseeable, including, but not limited to, loss of profits, increased expenses or costs in excess of estimates. Any protection against liability for losses or damages afforded any individual or entity by these terms shall apply whether the action in which recovery of damages sought is based on contract, tort (including sole, concurrent or other negligence and strict liability of any protected individual or entity), statute or on any other theory. To the extent permitted by law, any statutory remedies which are inconsistent with these terms are waived.

ARTICLE 11 – COMPLIANCE WITH LAWS

In the performance of the Services, Veolia shall comply with all applicable laws, ordinances or regulations of any government authority or agency having jurisdiction (“Applicable Laws”).

ARTICLE 12 – ANTI-DISCRIMINATION

Veolia shall not discriminate in its employment on the basis of race, color, religion, ancestry, national origin, place of birth, sex, age, disability, non-job related handicap or sexual orientation. Veolia shall comply with the applicable provisions of the Pittsburgh Code, Title Six - Conduct, Article V - Discrimination, and any amendments thereto. Veolia shall also comply with the applicable provisions of Title I and Title II of the Americans with Disabilities Act, any amendments thereto and any regulations issued thereunder. Veolia shall incorporate in any subcontracts which may be permitted under the terms of this Agreement a requirement that said subcontractors also comply with the provisions of this Section.

ARTICLE 13 – DISADVANTAGED BUSINESS ENTERPRISES

It is the Authority’s current goal to encourage increased minority and women’s participation in all Authority contracts. It is believed that it is reasonable to expect that minority participation will constitute twenty-five (25%) percent and women’s participation will constitute ten (10%) percent of the total dollar amount of Authority contracts. In entering into this Agreement with the Authority, Veolia is agreeing to submit a final report, within thirty (30) calendar days of the termination of the Agreement, detailing the actual levels of participation of minority and women’s business enterprises in the provision of the Services. The Authority recognizes that the majority of work provided for in this Agreement is to be self-performed by Veolia or subcontracted to highly specialized service providers, and therefore that the disadvantaged business participation goals may not be reasonably practicable to meet. However, failure by Veolia to make a good faith effort to meet the Authority’s goals or to submit the required report may be considered a breach of the Agreement resulting in debarment from participating in future Authority contracts.

ARTICLE 14 –SUBCONTRACTING AND ASSIGNMENT

None of the Services covered by this Agreement shall be subcontracted or assigned without the prior written approval of the Authority. Such approval or consent will not relieve Veolia of its obligations under this Agreement. The Authority reserves the right, acting reasonably, to object and require the replacement of any subconsultant who is hired or retained without the Authority’s prior written consent. The Authority specifically agrees to any subconsultants and to the scope of those subconsultants’ services identified in the Technical Proposal.

ARTICLE 15 – SITE AND ACCESS

15.1 Offices and equipment. The Authority will provide, at no cost to Veolia, suitable office space for the Interim Executive Director, the Study Manager, and other Veolia employees and subcontractors present at the Authority’s offices at 1200 Penn Avenue, Pittsburgh, in the performance of the Services, including reasonable and customary office furnishings, such as desks, chairs, conference equipment, copiers and facsimile devices, internet network, and telephones.

15.2 Computers and safety equipment. Veolia will be responsible for supplying computers, cell phones, and related productivity equipment, as well as any personal protective equipment or safety equipment that is customary for the work undertaken for its employees, agents and subcontractors.

15.3 Site and data access. The Authority will ensure that the Veolia employees and subcontractors performing the Services have, for the duration of this Agreement, such access to the Authority’s facilities, information technology systems and data as may be necessary and appropriate to the performance of the Services. Such access will include:

15.3.1 “All-access” clearance at all reasonable times for each Veolia employee, agent or subcontractor engaged in the Services, subject to compliance with the Authority’s policies for health and safety;

15.3.2 Access, in a manner reasonably equivalent to the Authority’s managers, to networks and data systems that gather, track, and report operational and cost information, including but not limited to access to SCADA systems, asset management systems, enterprise resource management or equivalent cost tracking systems, and existing benchmarking documentation.

15.4 Facilitating communications. The Authority will facilitate Veolia’s access to and communication with departments of the City of Pittsburgh and other agencies and authorities where necessary or appropriate to performance of the Services.

ARTICLE 16 – FORCE MAJEURE

No delay or failure of performance by either party shall constitute default hereunder or give rise to any claims for damage if, and to the extent, such delay or failure is caused by fire or other casualty, labor dispute or transportation delay not caused in any way by the affected party, or by government or military action, inclement weather not reasonably anticipatable, act of God, act or omission of the other party or its other contractors, failure of any government authority to timely review or to approve the services or to grant permits or approvals, or any other cause beyond the affected party’s reasonable control.

ARTICLE 17 – EXCLUSIVITY

To the maximum extent permitted by law, the Authority will not purchase from any person or entity other than an affiliate of Veolia consulting services substantially similar to the Services provided by Veolia during the Term and any Additional Term of this Agreement.

ARTICLE 18 – TERMINATION

18.1 For Convenience or Cause. The Authority shall have the right to terminate the Services or any part thereof at any time, whether for convenience or cause, by prior written notice whenever Company determines such termination or suspension to be in its own best interest; provided,

however, that the Authority may not terminate for its convenience the Services at any time prior to September 1, 2012. In such event, the Authority shall pay Veolia for Services satisfactorily completed and expenses incurred through the date of termination, along with any unavoidable expenses incurred or committed prior to the termination, less the sums Veolia shall have already been paid on account of the Services performed. Should the Authority terminate for convenience, Veolia will be entitled to payment of performance compensation as provided in Section 18.3 below. In the event of a default by Veolia, the Authority may, in addition to termination, pursue any other rights or remedies it may have available under the Agreement or the law.

18.2 Obligations on Termination. In the event of termination under Section 18.1 above, Veolia shall immediately cease performance except as may be authorized by the Authority. Veolia shall promptly assign and transfer to the Authority, as directed by the Authority, all subcontracts, orders, and commitments that the Authority may request be transferred or assigned, and Veolia shall execute and deliver the same and take all such action as the Authority may require to fully vest in the Authority the right of Veolia in and to the same. In the alternative, the Authority may direct that Veolia cancel all subcontracts, orders, and commitments.

18.3 Performance Compensation on Termination for Convenience. In the event that this Agreement is terminated prior to the end of the Term, Veolia shall be entitled to payment pursuant to Section 3.2.2.5, and shall further be entitled to payment of any KPIs that are either completed or in the process of implementation.

18.4 Exclusive Remedies. The rights and remedies set forth above are the sole and exclusive remedies of Veolia in the event of a termination under Section 18.1, and the Authority shall have no other liability to Veolia on account of or for any damages, including lost profits, arising out of such termination.

18.5 Survival. Notwithstanding the expiration or termination of this Agreement, the rights and obligations that by their sense and context survive the termination or expiration of this Agreement will so survive.

ARTICLE 19 -- NOTICES

Unless otherwise notified in writing, each party shall send notices and other communications to the other party at the address shown below:

To the Authority: Pittsburgh Water and Sewer Authority
Penn Liberty Plaza I
1200 Penn Avenue
Pittsburgh, PA 15222
Attention: Dan Deasy, Chairman

with a copy to: Mark F. Nowak, Esq.
Thorp Reed & Armstrong, LLP
One Oxford Centre, 14th Floor
301 Grant Street
Pittsburgh, PA 15219

To Veolia : Veolia Water North America–Northeast, LLC
Attention: General Counsel
200 E. Randolph Street, 79th Floor
Chicago, Illinois 60601
Email: generalcounsel@veoliawaterna.com

ARTICLE 20 – DISPUTES OR CONTROVERSIES

20.1 Amicable resolution. The Authority and Veolia agree to work together to establish a culture of joint governance and to promote a culture of no fault/no blame. The Authority and Veolia will endeavor to resolve all disputes amicably.

20.2 Reference to senior management. In the event that a dispute cannot be amicably resolved by the participants, it shall be referred to Veolia senior management and to the Authority representatives to the Steering Committee for resolution.

20.3 Mediation. If the dispute cannot be resolved by Veolia senior management and the Authority’s representatives on the Steering Committee, either party may request mediation that, unless the parties agree otherwise, shall be administered by the American Arbitration Association subject to their Commercial Arbitration and Mediation Rules (“AAA Rules”) in effect on the date of this Agreement. A request for arbitration shall be made in writing and delivered to the other party and filed with the person or entity administering the mediation. Mediation shall be a condition precedent to arbitration. Mediation shall take place in Pittsburgh, Pennsylvania.

20.4 Arbitration.

20.4.1 Disputes not resolved through mediation shall be subject to binding arbitration in accordance with the AAA Rules in effect on the date of this Agreement. Arbitration shall take place in Pittsburgh, Pennsylvania.

20.4.2 All disputes shall be initiated by the service of a written notice by one party to the other of the intent to arbitrate and filing of such notice with the administering organization which, unless the parties agree otherwise, shall be the American Arbitration Association (“AAA”). Each Party shall bear its own costs and expenses of arbitration and shall pay its pro rata share of any joint fees, costs, and expenses of arbitration including, without limitation, the costs and fees of the arbitrator and of the American Arbitration Association.

20.4.3 The Parties shall jointly designate a single, independent arbitrator or otherwise have an arbitrator selected by the AAA in accordance with the AAA Rules.

20.4.4 The arbitration hearing must be conducted within four (4) months of the date of filing of the intent to arbitrate with the AAA. The hearing shall be conducted in accordance with the Federal Rules of Evidence then in effect. The decision of the arbitrator, including any remedy or relief granted, including specific performance, shall be in writing and shall be rendered no later than fourteen (14) days after the close of the hearing. The decision of the arbitrator shall be final, binding upon the parties, and non-appealable, and judgment thereon may be entered by any court of competent jurisdiction.

20.4.5 Each party in arbitration shall be entitled to discovery pursuant to the AAA Rules and the decisions of the arbitrator. However, all discovery shall be completed within sixty (60) days of the date of the appointment of the arbitrator. Further, all discovery must be completed no

later than fifteen (15) days prior to the arbitration hearing. The time period for discovery may be extended by the arbitrator for good cause, provided that the arbitrator is able to meet the schedule specified above in Subsection 20.4.4.

ARTICLE 21 -- MISCELLANEOUS

21.1 Incorporation of recitals. The recitals appearing at the beginning of this Agreement are incorporated herein by reference.

21.2 Entire agreement. This Agreement contains the entire understanding of the parties with respect to its subject matter and supersedes all prior negotiations. This Agreement shall not be modified, amended, altered, or supplemented except by agreement in writing duly executed by both of the parties hereto.

21.3 Counterparts and Digitally-Transmitted Signature. This Agreement shall be executed in two counterparts, each of which shall be deemed an original, and proof of execution may be exchanged by digital means such as facsimile or electronically-mailed .pdf files.

21.4 Applicable law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the Commonwealth of Pennsylvania, without reference to its conflicts-of-laws principles.

21.5 No third-party beneficiaries. This Agreement shall create no rights in any party other than the Authority and Veolia and no other party is intended to be a third-party beneficiary of this Agreement, except as may be specifically indicated herein.

21.6 Headings. Section headings in this Agreement are for convenience of reference only and shall not constitute a part of this Agreement for any purpose.

21.7 Severability. In the event that any of the provisions of this Agreement are found to be invalid or unenforceable, the validity and enforceability of the remaining provisions shall not be affected.

18.8 Authority. This Agreement is entered into by the Authority pursuant to Resolution No. ___ of 2012, adopted at a meeting of its Board held on _____, 2012.

[signatures follow on next page]

IN WITNESS WHEREOF, the parties have duly executed this Agreement the day and year first above written.

WITNESS: THE PITTSBURGH WATER AND SEWER AUTHORITY

_____ By: _____
Board Chair

Approved as to Form: _____
Authority Solicitor

WITNESS: VEOLIA WATER NORTH AMERICA—NORTHEAST, LLC

_____ By: _____
Title: _____

EXHIBIT A

Responsibilities and Authority of Interim Executive Director

Subject to the supervision of the Steering Committee and the Authority Board of Directors, and as further defined in the Agreement, the responsibilities and authority of the Interim Executive Director shall include the following:

Directing, coordinating, and supervising the day-to-day activities of various divisions of the Authority.

Directing, coordinating, and supervising the Authority staff in the implementation of and/or continued compliance with policies, rules, and operating procedures determined or approved by the Board.

Coordinating the Authority's activities and policies with those of the City and its agencies and other regional authorities.

Reporting to the Steering Committee and the Board on the day-to-day activities of the Authority.

With the assistance of Authority Solicitor as appropriate, supervising the bidding or negotiating process for the procurement of goods and services, and securing Board approval of major contracts and awards.

Directing, coordinating, and supervising the carrying out of contracts and projects approved by the Board, including the approval and payment of ordinary invoices.

With the assistance of the Solicitor as appropriate, directing and coordinating environmental compliance activities.

Directing, coordinating and supervising the Finance Department on the development of operating and capital budgets.

Working with the Steering Committee and the Study Manager on the development of initiatives and directing, coordinating and supervising their implementation.

Recommending for consideration by the Board such policies and procedures concerning the organization, governance and operation of the Board and the Authority in general.

The Interim Executive Director shall be referred to and described as such in internal and external communications of the Authority.

Except in egregious cases, the Interim Executive Director shall not have the authority to discipline or to terminate the employment of the Authority's senior staff without the prior approval of the Steering Committee or the Board. The Interim Executive Director shall not have

the authority to discipline or to terminate the employment of junior, non-union staff without the prior approval of his or her immediate supervisor or of another Authority senior staff member, and the prior approval of the Steering Committee or the Board.

EXHIBIT B

Consulting and Implementation Services

The consulting services to be provided by Veolia to the Authority shall include the following:

- (1) **General Administration and Management Consulting.** Evaluation and analysis of the structure of management and operation of the Authority's water and sewer systems. Such evaluation will include support departments within the Authority and outsourced functions such as engineering, construction management, and information technology.
- (2) **Financial Evaluation.** Evaluation and analysis of financial aspects of the Authority's water and sewer systems. Such evaluation will include revenue projections, third-party contracts and their effect on the Authority's finances, the "Baker" Stormwater Study, the Authority's 40-year capital plan, the Authority's existing debt structure, and current and expected operational costs.
- (3) **Operations and Maintenance Consulting.** Evaluation and analysis of existing operations and maintenance practices and anticipated operational needs for the Authority's water and sewer systems. Such evaluation will include review of existing conditions and practices, review of the Consent Order and Agreement currently in force, consideration of environmental conditions that may present treatment challenges, and stormwater management issues.
- (4) **Budgeting Assistance.** Assistance with development of the Authority's operational and capital budgets for the time periods during and immediately following the Term.

For each of the items identified above, Veolia will undertake a "base analysis" that is intended to be broadly focused, as opposed to an in-depth and comprehensive analysis on each item. Thereafter, Veolia and the Authority will work together to collaboratively identify and present to the Steering Committee for approval a number of priority items for greater study and focus. Such focus items may include operational and organization improvements that fall outside of the strict boundaries of the initially identified studies.

Each of the evaluations approved by the Steering Committee for further development will culminate in and be consolidated into a status report and recommendations for changes, with a goal toward improving both service and cost for Authority ratepayers.

Veolia will work with the Authority to focus the recommendations on implementable initiatives that will either improve service, identify efficiencies, or both, and will validate such recommendations through the governance structure established within the Agreement.

Each proposed initiative will contain recommendations for the means of measuring and tracking the improvements realized, including a "baseline" status and data tracking methodology. Each proposed initiative will include financial information including the estimated capital and expense monies required for implementation, any anticipated savings and payback period, or other measurable benefits. Each proposed initiative shall identify any barriers to implementation, such as existing agreements, statutory or other legal restraints, or capital investments.

Once the developed initiatives are approved by the Steering Committee and, where necessary, the Authority Board of Directors, Veolia will work with the Authority staff in the planning and implementation of such initiatives.

Identification and implementation of recommended improvements begin as early in the Term as practicable.

Veolia will support and assist with the Authority's public outreach efforts necessary to implement the recommendations and to appropriately communicate the scope of work performed and the improvements made to the Authority's structure and operations.